GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3592
ANSWERED ON:27.04.2007
FOREIGN FINANCIAL INSTITUTIONS
Krishnadas Shri N.N.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has formulated any criteria/norms for State Governments for taking loans from the foreign financial institutions like International Monetary Fund (IMF) and Asian Development Bank (ADB);

(b) if so, the details thereof;

(c) the details of the methodology being implemented for sanction of loans from such foreign financial institutions by the State Governments;

(d) whether the Union Government has permitted any State Government to take loan from such foreign financial institutions without the consent of the Union Government; and

(e) if so, the details thereof?

Answer

Minister of State in Ministry of Finance (Shri Pawan Kumar Bansal)

(a) to (c) The Government of India receives the foreign loan assistance as per the standard terms and conditions of the development partners and till 31st March, 2005, it was being released to the State Governments by the Union Government as Additional Central Assistance (ACA). Government of India has accepted the recommendation of the 12th Finance Commission to pass on external assistance on the same terms and conditions on which it was received. The service cost and exchange fluctuations would also be passed on to the States under this arrangement. Accordingly, in case of new projects signed on or after April 1, 2005, the external assistance will be passed on `back to back` basis except special category States. However, it has been decided to continue with the earlier arrangements for ongoing projects as on 31st March 2005. Further release to such projects will continue to be provided in the form of ACA. The Government of India has issued guidelines for posing, implementation and monitoring of externally aided projects on 9th May 2005. Details are available on the Ministry of Finance`s website www.finmin.nic.in. The Government of India has also issued revised guidelines on 24th October 2005 providing for analysis of debt sustainability of States for availing external assistance for development and structural adjustment purposes.

(d) & (e) No Sir, does not arise.